

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

Release Number: **200850045**  
Release Date: 12/12/08  
Date: 9/19/08

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

UIL 4945.04-04

X= Foundation  
Y= Program  
Z= State  
x= \$  
y= \$

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated June 12, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program called Y.

Y was established to foster, support and promote leadership and learning among the generation of public health pioneers in the government, private and nonprofit sectors. X expects to select approximately 20 Fellows each year to participate in a ten-month program to increase their leadership knowledge and skills in order to better advocate and lead effective health strategies that will improve the health and well-being of people in Z, and help to eliminate racial and ethnic health disparities.

Fellows will make a ten-month commitment during which time they will be required to attend two weekend retreats, monthly seminars and other educational activities. Fellows will also complete an independent project related to the goal of eliminating racial and ethnic health disparities. In addition, Fellows will meet with national and local health leaders and policymakers, attend local and national conference workshops and symposia, and receive five hours of executive coaching sessions to improve their leadership knowledge and skills.

X will award Fellows an honorarium of x to aid in their personal or professional development. Grant monies will be used by Fellows to facilitate the required activities by funding (i) tuition and conference fees for educational programs related to racial and

ethnic health disparities; (ii) travel to attend Program-related events; and (iii) research or study required to complete their independent project.

In addition, in the case of Fellows who are employed by a non-profit organization, X will award a gift in the amount of y to any such employer. Such payments will only be made to nonprofit employers exempt under section 501(c)(3), and X will comply with all applicable regulations concerning the exercise of expenditure responsibility.

X will solicit applications from interested individuals on an annual basis. Applicants must (1) be a resident of Z or primary work must directly impact the people of Z, (2) have experience or interest in working with health needs of minority populations, (3) show strong evidence of leadership experience or potential, especially as related to community projects or health policy and (4) intend to pursue a career in public health practice, health care administration policy, academia or community advocacy.

The Fellowship program is advertised on X's website, in emails that are sent to X's database of contacts, in a press release, in brochures that are circulated throughout X's network, and in advertisements in area newspapers.

Fellows will be selected through a competitive process that requires each applicant to complete an on-line application consisting of personal information (contact information, educational background, occupational background and a list of volunteer organizations they are affiliated with), and the completion of three brief essay questions.

Review teams consisting of a former Fellow, A Board member of X and a staff member of X will review a cluster of applications and select a certain number of applicants, based on specific criteria, to move on to the interview phase. These criteria include:

- Candidates must be a resident of the State of Z, or primary work must directly impact the people of Z.
- Candidates must express a commitment to eliminating racial and ethnic health disparities.
- Candidates must accept and be available to fulfill the obligations of the Fellowship, which consist of:
  - Attending two weekend retreats
  - Attending monthly Fellows' Seminars
  - Completing a project that demonstrates solutions to racial and ethnic health disparities
- Candidates must have the support of their employer, as well as their consent to the candidate's full participation in the Program, including attendance at Program-related events or participation in Program-related obligations during working hours.
- Candidates provide answers to three essay questions designed to indicate knowledge of the issue, commitment to developing leadership skills, and commitment to the issue of eliminating racial and ethnic health.

After all the interviews within the cluster are completed, each team nominates a list of six candidates to the Selection Committee for their review and approval.

The Selection Committee consists of four former Fellows and one staff member of X, who acts as facilitator. The Selection Committee is responsible for reviewing the applications of those recommended by the review teams and selects twenty candidates and two alternates who will ultimately become the class for that given year.

Members of the review teams and the Selection Committee are required to identify any relationship with a candidate or the candidate's affiliates or intended program. If any relationship exists which might cause a member to derive a private benefit, directly or indirectly, from the selection of a candidate, the candidate will be reassigned to another review team (in the case of a review team member) or the member shall be recused from acting with respect to that candidate (in the case of the Selection Committee).

No candidate who is a disqualified person within the meaning of section 4946 of the Code will be considered.

In the beginning of the year, Fellows will set leadership objectives for themselves based on feedback from the first of two retreats they must attend and feedback from their first executive coaching session. The manner in which the honorarium will be applied to further advance the Fellows knowledge and skills and help them achieve their leadership objectives will also be identified.

At the end of the year, each Fellow must complete a project and submit a paper that explains the project and discusses what they have learned about their leadership and ability to use their social capital to influence networks of people to take action to eliminate racial and ethnic health disparities. It is in this paper that they will relate their personal leadership objectives to their use of the honorarium and the degree they have completed their objective.

Payments of grant money will be paid to Fellows in one or more installments over the course of the Fellowship. Prior to the first grant payment date, Fellows will be required to sign a grant agreement providing for the following terms and conditions:

- (i) All grant money paid to the Fellows will be used solely in furtherance of the Fellowship. To that end, Fellows must account for all grants money spent by them, and provide such accounts to X upon request. To the extent Fellows provide inadequate accounts with respect to grant money spent or fail to provide such accounts, X will investigate such accounts (or lack thereof) and the corresponding use of such grant money and will suspend any further payments of grant moneys until adequate accounts have been submitted. Any grant money used for purposes unrelated to the Fellowship must be returned to X.
- (ii) All grant money paid to Fellows must be returned to X if, without Good Cause, the Fellow (1) withdraws his or her participation in the Program; (2) is removed from the Program for any reason by X; or (3) fails to complete his or her independent project.

Good Cause will be limited to such extraordinary events as death, disability or loss of employment.

- (iii) Upon withdrawal of participation in the Program for any reason, payments of grant money to a Fellow will cease.

The final reports will be reviewed by staff members of X. If grant funds are determined to be misused, all further payments of grant money will be suspended until after X has received the relevant Fellow's assurance that future diversions will not occur and required the Fellow to take extraordinary precaution to prevent future diversions from occurring. In addition, X will undertake a thorough investigation, including, but not limited to, examinations of the Fellow's accounts of grant money expenditures. If after its investigation, X determines that a diversion of grant funds has occurred, then depending upon the extent of the diversion and the use to which such diverted funds have been put to, X will take all reasonable and appropriate steps to recover the grant funds or to insure the restoration of diverted funds and the dedication of other grant funds held by the applicant to the purposes for which the grant was made. In severe cases, X will remove the Fellow from the Program, and require the Fellow to return all previously received grant money.

X agrees to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements